

1500 FLEET CENTER  
PROVIDENCE, RHODE ISLAND 02903  
401 274-2000

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**HINCKLEY, ALLEN, SNYDER & COMEN**

*Attorneys at Law*

No. **8-295A033**

October 20, 1988

Date **..OCT. 21. 1988.....**

Fee \$ **.....13.00.....**

Interstate Commerce Commission  
Room 2303  
12th & Constitution Avenue NW  
Washington, DC 20423  
Attn: Mildred Lee

**1 5887**  
RECORDATION NO. **1 5887** FILED 1988

ICC Washington, D. C

**OCT 21 1988 2 25 PM**

Dear Ms. Lee:

**INTERSTATE COMMERCE COMMISSION**

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are an original and one copy of a Security Agreement dated October 20, 1988, a Primary Document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor:

Narragansett Railway Company, Inc.  
c/o Trains Unlimited, Inc.  
501 Sycamore, Suite 200  
Chicago Central Building  
Waterloo, IA 50703

Secured Party:

Small Business Loan Fund Corporation  
Seven Jackson Walkway  
Providence, RI 02903  
Attn: Robert E. Donovan  
Administrator

A description of the railroad equipment covered by the enclosed document is set forth in Exhibit A attached hereto and made a part hereof.

The required recordation fee of \$13.00 is enclosed.

100 OF 100 OF  
THE STOCK  
OCT 21 2 30 PM '88  
MOTOR OPERATING UNIT

HINCKLEY, ALLEN, SNYDER & COMEN

Please return one stamped copy of the enclosed document to

Neil A. Clark, Esquire  
Hinckley, Allen, Snyder & Comen  
1500 Fleet Center  
Providence, RI 02903.

A short summary of the enclosed Primary Document to appear in the Commission's Index is

Security Agreement dated October 20, 1988 between Narragansett Railway Company, Inc., Debtor, and Small Business Loan Fund Corporation, Secured Party, covering one (1) General Electric Diesel-Electric Locomotive bearing serial number 17886.

Should you have any questions concerning this matter, please do not hesitate to call the undersigned.

Very truly yours,

A handwritten signature in dark ink, appearing to be 'NAC', written over a horizontal line.

Neil A. Clark

NAC:bsj  
Enclosures

EXHIBIT A

One (1) General Electric 65 Ton, 400 Horsepower Diesel-Electric Locomotive, Manufactured in 1943 and Bearing Serial Number 17886

RECORDATION 1 5887

OCT 21 1988-2 25 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT TO SECURE GUARANTY

THIS AGREEMENT is made this 20th day of October, 1988, by and between NARRAGANSETT RAILWAY COMPANY, INC., a Rhode Island corporation having its principal place of business at 19 America's Cup Avenue, Newport, RI (hereinafter referred to as "Debtor"), and SMALL BUSINESS LOAN FUND CORPORATION, a governmental agency and public instrumentality of the State of Rhode Island having a principal place of business at 7 Jackson Walkway, Providence, Rhode Island 02903 (hereinafter referred to as "Secured Party").

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

A. "Accounts Receivable" means all accounts, contract rights, notes, drafts, acceptances and all forms of obligations and receivables now or hereafter owed or belonging to Debtor for Inventory sold or for services rendered, all guaranties and securities therefor, all right, title and interest of Debtor in the Inventory which gave rise thereto, including the right of stoppage in transit, and all rights of the Debtor, earned or yet to be earned under contracts to sell Inventory or render services.

B. "Inventory" means all inventory, including all goods, merchandise, raw materials, work in process, finished goods, supplies, materials used or consumed in connection with the production thereof, and other tangible personal property now owned or hereafter acquired by Debtor and held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in the business of Debtor as well as contracts and contract rights with respect thereto, documents representing the same, and the proceeds thereof.

C. "Equipment" means all machinery, equipment, furniture and fixtures now owned or hereafter acquired by Debtor and all spare and replacement parts and tools therefor, including, without limiting the generality of the foregoing that certain General Electric 65 ton 400 horsepower diesel-electric locomotive, serial number 17886.

D. "Intangible Property" means all instruments, documents of title, warehouse receipts, bills of lading, policies and certificates of insurance, securities, chattel paper, deposits, cash, patents, trademarks, trade secrets, contract rights,

general intangibles and other property now or hereafter owned by Debtor or in which it may have an interest.

E. "Licenses" means all municipal, state and federal licenses and permits on which Debtor is named or in which Debtor has an interest.

## 2. SECURITY INTEREST

2.1 Debtor hereby grants to Secured Party a security interest in all now owned or hereafter acquired Accounts Receivable, Equipment, Inventory, Intangible Property, Licenses and any and all additions and accessions to and substitutions for and proceeds (including, without limitation, insurance proceeds) and products of the foregoing (collectively, the "Collateral").

2.2 The security interest granted hereby is to secure payment and performance of all Obligations at any time owing by Debtor, or The Newport Star Clipper Limited Partnership ("Obligor") or either of them, to Secured Party. The term "Obligations" as used in this Security Agreement means and includes:

1. the payment, performance and observance of Debtor's obligations under that certain Guaranty of Debtor of even date herewith of the obligations of Obligor to Secured Party (the "Guaranty");
2. the payment, performance and observance of all Obligor's obligations under that certain promissory note of even date herewith in the original principal amount of \$65,000 in which Secured Party appears as Payee and Obligor appears as Maker (the "Note");
3. the payment, performance and observance of all of Debtor's and/or Obligor's obligations under that certain Supplemental Agreement of even date herewith in which Secured Party appears as Lender and Obligor appears as Borrower (the "Supplemental Agreement"); and

and further includes all loans, advances, debts, liabilities, obligations, covenants and duties owing by Debtor and/or Obligor to Secured Party of every kind and description (whether or not evidenced by any note or other instrument and whether or not for the payment of money), direct or indirect (whether as principal debtor, guarantor, or otherwise), absolute or contingent, due or

to become due, now existing or hereafter arising, including, without limitation, all obligations contained or referred to in any other document, instrument, or agreement securing the Note or the loan evidenced thereby or executed in connection with the Note or the loan evidenced thereby, and any debt, liability or obligation owing from Debtor and/or Obligor to others which Secured Party may have obtained by assignment or otherwise, and further including, without limitation, all interest, fees, charges, attorneys' fees, court costs and expenses of whatever kind incident to the collection of the Obligations and the enforcement and protection of the security interest created hereby, all future advances and interest thereon made by Secured Party for taxes, levies, insurance and repairs to or maintenance of the Collateral, all other monies heretofore or hereafter advanced by Secured Party to or for the account of Debtor at the option of Secured Party, and all other present or future liabilities and indebtedness of Debtor and/or Obligor to Secured Party of any nature whatsoever, liquidated or unliquidated, absolute or contingent and any extensions or renewals thereof.

### 3. REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants as follows:

3.1 That Debtor has been duly incorporated and organized and is existing as a corporation in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing as a foreign corporation in those jurisdictions where the conduct of its business or the ownership of its properties requires qualification;

3.2 That Debtor has the power and authority to own the Collateral, to enter into and perform this Agreement and any other document, instrument or agreement delivered in connection herewith and to incur the Obligations;

3.3 That Debtor utilizes no tradenames in the conduct of its business;

3.4 That this Agreement and any document, instrument or agreement delivered in connection herewith and the transactions contemplated hereby or thereby have been duly authorized, and/or executed and delivered, as appropriate; and this Agreement and such other documents, instruments and agreements constitute valid and legally binding obligations of Debtor and are enforceable against Debtor in accordance with their respective terms;

3.5 That Debtor is not in default in the payment or performance of any of its obligations and no conditions exist, which, if continued, would constitute such default; and

3.6 That Debtor has filed all federal, state and local tax returns and other reports it is required to file and has paid or made adequate provision for payment of all such taxes, assessments and other governmental charges.

#### 4. REPRESENTATIONS, WARRANTIES AND COVENANTS

Debtor represents, warrants and covenants as follows:

4.1 That except for the security interest granted hereby and except for ~~the security interest granted to~~ Greater Providence Deposit Corporation and Frederick S. Tanner, Debtor has, or in the case of after-acquired Collateral, will have, good and marketable title to the Collateral free from any adverse lien, security interest or encumbrance; and that Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein; 757

4.2 That all warranties, representations, statements and other information furnished to Secured Party by or on behalf of Debtor are or will be when the same are made or furnished accurate and complete in all material respects;

4.3 That the Collateral is or will be kept at Debtor's address listed above, and that Debtor will not remove any of the Collateral from said location without the prior written consent of Secured Party;

4.4 That except for Greater Providence Deposit Corporation and Frederick S. Tanner, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office, and that at the request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable; and Debtor hereby irrevocably constitutes and appoints any officer of Secured Party, Debtor's attorney-in-fact to execute in the name and behalf of Debtor such financing statement or statements; 757

4.5 That Debtor will not sell, pledge, hypothecate, encumber, assign, or offer to sell or otherwise transfer the Collateral or any interest therein without the prior written consent of Secured Party, except in the ordinary course of busi-

ness. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt;

4.6 That Debtor shall maintain insurance at all times with respect to the Collateral against loss by fire (including so-called extended coverage), theft, and such other casualties as Secured Party may require in a sum not less than the full replacement cost of the Collateral, and in any event not less than the amount necessary to prevent Debtor from becoming a co-insurer under any applicable co-insurance provisions. In addition Debtor will have and maintain, in such form and with such companies and in such amounts as shall be satisfactory to Secured Party, insurance against such other losses as are customarily maintained by businesses operating in similar locations and under similar conditions as Debtor, similar conditions as Debtor, including by way of illustration and not of limitation, flood, public liability, personal property, theft, workmen's compensation and collision insurance. Each and every policy of insurance shall insure Secured Party's interest regardless of any breach or violation by Debtor of any warranties, declarations or conditions contained in such policies.

All policies of such insurance shall be in such form as shall be satisfactory to Secured Party, shall be made payable in case of loss to Secured Party, shall provide that the same may not be altered or cancelled by the insurer except after fifteen (15) days prior written notice to Secured Party, and shall, together with such certificates as Secured Party may from time to time request, be delivered to Secured Party to be held as collateral security for the Obligations. Debtor shall have free choice of agent and insurer through or by which such insurance is to be placed or written provided said insurer is authorized to write such insurance in the state in which the Collateral is located, has a licensed resident agent in said state, and has, at all times while this Agreement is in effect, a general policyholder's rating of A or A+ in Best's latest Rating Guide. If any proceeds under any insurance policies are paid to Secured Party while any Obligations are outstanding, Secured Party may, at its option, pay over such proceeds to Debtor for the purpose of replacing the lost, damaged, or destroyed Collateral with respect to which such proceeds were paid. Secured Party may act as attorney for Debtor in obtaining, adjusting, settling, and cancelling such insurance or return premiums thereon.

Debtor hereby appoints Secured Party as the Debtor's attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks or drafts for loss or



damage under any said insurance policy. If Debtor fails to procure or maintain such insurance, Secured Party shall have the right, but shall not be obligated, to effect such insurance, in which event Debtor shall repay to Secured Party the cost thereof immediately upon demand, and until repaid these amounts shall bear interest at the rate of interest set forth in the Note and shall be secured by this Agreement and by any other agreements securing the Guaranty.

4.7 That Debtor will keep the Collateral free from any adverse lien, security interest or encumbrance (other than those described in Section 4.1 above) and in good order and repair and will not waste or destroy the Collateral or operate or use the Collateral in violation of any statute or ordinance; and Secured Party may examine and inspect the Collateral at any reasonable time, wherever located;

4.8 That Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon any note or notes evidencing the Obligations;

4.9 That Debtor will permit Secured Party, through its authorized attorneys, accountants and representatives, to inspect and examine the books, accounts, records, ledgers and assets of every kind and description of the Debtor with respect to the Collateral at all reasonable times;

4.10 That Debtor will furnish to Secured Party forthwith upon Secured Party's request such information bearing on the financial condition of Debtor and the progress of its business operations as Secured Party may from time to time reasonably request;

4.11 That Debtor will promptly notify Secured Party of any condition or event which constitutes, or would constitute with the passage of time or giving of notice or both, an Event of Default under this Agreement, and promptly inform Secured Party of any events or changes in the financial condition of Debtor occurring since the date of the last financial statement of Debtor delivered to Secured Party, which individually or cumulatively when viewed in light of prior financial statements, may result in a material adverse change in the financial condition of Debtor;

4.12 That Debtor will, at all times and from time to time at the request of Secured Party, do, make, and execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party deems necessary or

appropriate to more completely perfect or maintain perfected its security interest in the Collateral and/or to otherwise further vest in and assure to Secured Party its rights hereunder and in or to the Collateral and the proceeds and products thereof;

4.13 That Debtor hereby authorizes Secured Party to file financing and continuation statements with respect to the Collateral without the signature of Debtor whenever lawful;

4.14 That if all or any portion of the Collateral is a motor vehicle or vehicles otherwise subject to any certificate of title law, Secured Party, to the extent permitted by law, shall hold the Certificate of Title until payment in full of the Obligations, and

4.15 That the giving of the Guaranty and entry into this Agreement are in the business interests of Debtor and will result in a financial benefit to Debtor.

#### 5. DISCHARGE OF LIENS

At its option, Secured Party may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance and preservation of the Collateral. Any payment made or expense incurred by Secured Party pursuant to this provision shall be repaid to Secured Party immediately upon demand and until repaid these amounts shall bear interest at the rate of interest set forth in the Note and shall be secured by this Agreement and by any other agreements securing the Guaranty and/or the Note.

#### 6. POSSESSION BY DEBTOR

Until the occurrence of an Event of Default hereunder, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement and not inconsistent with any policy of insurance thereon.

#### 7. DEFAULT

Debtor shall be in default under this Agreement upon the occurrence of any of the following "Events of Default":

7.1 The occurrence of an event of default under any document executed by Debtor and/or Obligor in connection with the loan evidenced by the Note, including, without limitation the Guaranty, the Note and the Supplemental Agreement;

7.2 Default in the payment when due of any other Obligations;

7.3 Default in the performance or observance of any of the covenants, agreements or conditions contained or referred to herein;

7.4 Default in the performance or observance of any other Obligations or the occurrence of any event of default under any document, instrument or agreement evidencing such Obligations or executed in connection therewith;

7.5 Default in, the breach of or the proving false of any representation or warranty contained herein or in any other document, instrument or agreement now hereafter entered into between Debtor and Secured Party or given by Debtor to Secured Party;

7.6 Substantial loss, theft, damage or destruction of the Collateral;

7.7 (a) The insolvency or inability of Debtor or any other person, corporation or entity now or hereafter liable, absolutely or contingently, for the whole or any part of the Obligations (together with Obligor, such parties being hereinafter referred to as an "Other Liable Party" or "Other Liable Parties") to pay his or its debts as they mature, or the appointment of a receiver, trustee, custodian or other fiduciary, for, or for any of the property of, or an assignment for the benefit of creditors by, or the making of or entering into a trust mortgage or deed or other instrument of similar import for the benefit of creditors by Debtor or any Other Liable Party; or the convening of a meeting of the creditors, or the selection of a committee representing the creditors of Debtor or any Other Liable Party; or

(b) The filing of a petition, complaint, motion or other pleading seeking any relief under any receivership, insolvency, or debtor relief, or seeking any readjustment of indebtedness, reorganization, composition, extension of any similar type of relief, or the filing of a petition, complaint, or motion under any chapter of the Federal Bankruptcy Code, as the same now exists or may hereafter be amended (the "Code"), by Debtor or any Other Liable Party;

(c) The filing of a petition, complaint, motion or other pleading seeking any relief under any receivership, insolvency, or debtor relief law, or under any chapter of the Code, or

seeking any readjustment of indebtedness, reorganization, composition, extension or any similar type of relief, or the entry of any order for relief under any chapter of the Code, against Debtor or any Other Liable Party; or

(d) The entry of any judgment against, or the attachment or garnishment of any of the property, goods or credits of, Debtor or any Other Liable Party which remains unpaid, undismissed or unbonded for a period of thirty (30) days, or if any foreclosure is instituted (by judicial proceedings, by publication of notice pursuant to a power of sale or otherwise) against Debtor or any Other Liable Party under any mortgage or security agreement given by Debtor or any Other Liable Party and remains undismissed or not terminated for a period of eight (8) days; or

(e) The merger or consolidation with any corporation or the death, dissolution, liquidation, or termination of existence of Debtor or any Other Liable Party;

7.8 Any material adverse change in the financial condition of, or act or omission of or of any Other Liable Party or any act or omission of an officer, director, partner or trustee of Debtor or any Other Liable Party which leads Secured Party reasonably to believe that performance of any of the covenants, agreements or conditions of the Note, the Supplemental Agreement, the Guaranty, this Agreement or any other document executed by Debtor or any Other Liable Party in connection with the loan evidenced by the Note, or any Other Liable Party is or may be seriously impaired; or

7.9 If at any time Secured Party reasonably shall consider the Obligations or any of them insecure or all or any part of any collateral therefor unsafe, insecure, insufficient, and Debtor shall not on demand furnish additional collateral or make payment on account satisfactory to Secured Party.

## 8. REMEDIES

Upon the occurrence of an Event of Default and at any time thereafter Secured Party may declare all Obligations secured hereby immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, and Secured Party in addition to such other rights and remedies as are or may be set forth in this Agreement or in any other document, agreement or instrument between Debtor and Secured Party or in the Note, may exercise and shall have the rights and remedies of a secured party under the Uniform Commercial Code in effect in Rhode Island at the time of such de-

fault. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party. Secured Party will give Debtor notice of the time and place of any public sale thereof or the time after which any private sale or any other intended disposition thereof is to be made. The requirements of notice shall be met if such notice is mailed, postage prepaid, to Debtor at its address set forth above at least ten (10) days before the time of sale or disposition. Debtor shall pay to Secured Party on demand any and all expenses including all reasonable attorneys' fees and legal expenses incurred or paid by Secured Party in protecting or enforcing its rights, powers and remedies hereunder or under any other document, instrument or agreement between Debtor and Secured Party or the Note, or in any way connected with any proceeding or action by whomsoever initiated concerning the protection or enforcement of such rights, powers and remedies.

Debtor hereby understands and agrees that Secured Party may exercise its rights hereunder without giving Debtor any opportunity for hearing to be held before Secured Party through judicial process or otherwise, may take possession of the Collateral upon the occurrence of an event of default and Debtor expressly waives the right, if any, to such prior hearing.

#### 9. MISCELLANEOUS

The captions in this Agreement are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

The provisions of this Agreement may not be modified or terminated orally. Secured Party shall not be deemed to have waived or amended any of its rights or remedies hereunder unless such waiver or amendment be in writing and signed by it. No delay or omission on the part of Secured Party in exercising any such right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or a waiver of the same right or remedy on any future occasion.

The rights and remedies provided the Secured Party in this Agreement and in any other document, instrument or agreement between the parties hereto shall be cumulative and shall be in addition to and not in derogation of any rights or remedies provided Secured Party in any such other document, instrument or agreement or under applicable law or otherwise.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all Obligations of Debtor hereunder shall bind its heirs, executors, administrators, successors and assigns.

Every word herein purporting to the neuter gender only shall extend to and include males and females and every word herein importing the singular number only shall be construed to extend to and include the plural number also.

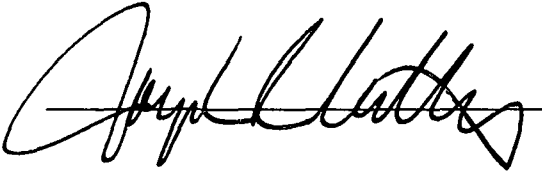
In the event any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be held invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall be valid and enforceable to the fullest extent permitted by law.

The law governing this Agreement shall be the substantive law of the State of Rhode Island determined without resort to that state's conflict-of-laws rules.

IN WITNESS WHEREOF, Debtor and Secured Party have executed this Security Agreement, under seal, on the day and year first above written.

Witnessed by:

NARRAGANSETT RAILWAY COMPANY, INC.



By: Fredrick S. Tannen  
Title: TREASURER

SMALL BUSINESS LOAN FUND CORPORATION



By: Robert E. Brown  
Title: Secretary